

FAA News

Federal Aviation Administration, Washington, DC 20591

FOR IMMEDIATE RELEASE

December 2010

Contact: Marcia Alexander-Adams

Phone: 202-267-3488

FACT SHEET

PARTICIPATION OF CHICAGO MIDWAY (MDW) AIRPORT IN THE FAA AIRPORT PRIVATIZATION PILOT PROGRAM

Midway Airport. Chicago Midway Airport, a large air carrier hub airport, is owned and operated by the city of Chicago. The Airport is served by seven airlines – Frontier, Delta, AirTran, Southwest, Porter, Northwest, and Branson Air Express.

Timeline:

- | | |
|---------------------------|--|
| September 16, 2006 | City submitted its preliminary application to the FAA to participate in the program |
| October 3, 2006 | FAA accepted MDW's preliminary application |
| September 30, 2008 | City selected Midway Investment and Development Corporation to operate the airport under a 99-year lease. The corporation consists of a team that includes Vancouver Airport Services Ltd., Citigroup and John Hancock Insurance Company. The City will receive an initial payment of \$2.5 billion for the right to lease the airport |
| October 8, 2008 | Chicago City Council agreed to the \$2.5 billion deal to lease Midway Airport to a private operator |
| October 14, 2008 | FAA received Midway's final application for review and approval. |
| April 2009 | MIDCo terminates agreement with city of Chicago due to financial climate |
| April 1, 2009 | The FAA granted its first extension to the City until February 1, 2010 to provide additional information |
| February 1, 2010 | The FAA granted its second extension to the City until April 30, 2010 to provide additional information |
| April 30, 2010 | The FAA granted its third extension to the City until July 31, 2010 to provide additional information |
| July 31, 2010 | The FAA granted its fourth extension to the City until November 30, 2010 to provide additional information |
| December 10, 2010 | The FAA granted its fifth extension to the City until July 31, 2011 to develop a timetable for submitting its final application |

PRIVATIZATION FACTS

What is airport privatization? Commercial airports in the United States are, for the most part, owned and operated by local or state governments. Public-use general aviation airports are both publicly and privately owned. The 1996 Reauthorization Act established the FAA's airport privatization pilot program to allow private companies to own, manage, lease, or develop up to five public airports.

Number and category of airports. The legislation authorized five airports to participate in the program. At least one must be a general aviation airport, and no more than one large hub air carrier airport may participate. Under the pilot program, general aviation airports may be leased or sold, while the air carrier airport may only be leased. Midway is the first large hub airport to submit an application.

Exemption from federal requirement. The statute authorizes FAA to exempt an airport sponsor from certain requirements that could otherwise make privatization unattractive. First, the public airport sponsor may receive an exemption to use the lease or sale proceeds for non-airport purposes. Generally, all proceeds from the lease or sale of airport land must be used for the capital or operating costs of the airport. This exemption requires the approval of 65 percent of the air carriers at the airport (by number of carriers and by landed weight). The public sponsor also can be exempted from an obligation to repay federal grants and return property acquired with federal assistance upon the lease or sale of the airport.

Conditions for granting exemptions. FAA approval is based upon a number of conditions listed in 49 U.S.C. § 47134. These include the private operator's ability to prove it will comply with the public operator's grant obligations, including the obligation to ensure continued access to the airport on reasonable terms. The private operator must also provide assurance that it will operate the airport safely; continue maintenance and improvement of the airport; provide security; mitigate noise and environmental impacts; and abide by any collective bargaining agreements already in place at the airports. The public operator also must provide a plan for continued operation of the airport in case of bankruptcy or other defaults of the private operator.

Federal assistance. Under the pilot program, the private operator of an air carrier airport may receive Airport Improvement Program entitlement and discretionary grants, collect Passenger Facility Charges, and charge reasonable fees. However, unless approved by 65 percent of air carriers at the airport, the private operator may not increase air carrier rates and charges at a rate that exceeds the consumer price index. Private operators of general aviation airports can receive Airport Improvement Program discretionary grants

Federal oversight. Airports participating in the pilot program are subject to the same federal oversight as other public-use airports. In particular, air carrier airports must comply with the requirements of FAA Airport safety regulations, 14 C.F.R. Part 139, and with Transportation Security Administration requirements for airport security.

Application process. A public airport sponsor and the private operator selected to purchase or lease an airport may request participation in the pilot program by filing an application for exemption under 49 United States Code §47134(a).

- Public sponsors may submit a preliminary application for FAA review and approval. It must contain summary narratives identifying the objectives of the privatization initiative, a description of the process and timetables for selecting a private operator, current airport financial statements, and a copy of the request for proposal.
- When the FAA approves the preliminary application, the applicant is guaranteed one of the five slots in the program, subject to FAA approval of the final application.
- The airport sponsor may select a private operator, negotiate an agreement, and submit a final application to the FAA. There is no timeline for the FAA to complete its review of the final application.
- After the FAA reviews and approves the final application and lease, a notice is published in the *Federal Register* for a 60-day public review and comment period. (For MDW, See FAA Docket Number 2006-25867 at www.regulations.gov.)
- The FAA completes its review, prepares its Findings, Record of Decision (ROD) and addresses the public comments in the ROD.
- The FAA publishes its ROD, and if approved, observes the legal settlement and transfer of the airport from public owner and sponsor to the new private operator and sponsor.

Other program participants. In December 2009, the FAA accepted the preliminary application for Luis Muñoz Marín International Airport in San Juan, Puerto Rico. The Airport is preparing a Request for Proposal to solicit potential sponsors. In May 2010, the FAA accepted Gwinnett County's preliminary application for Briscoe Field in Lawrenceville, Georgia. The County is reviewing the Request for Proposals received from perspective sponsors. The FAA accepted the preliminary application for Hendry County Airglades Airport in Clewiston, Florida on October 18.

###